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Philippines

Agricultural Situation

Typhoon Damages Corn Crops, Corn Imports to Rise 2003

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Report Highlights:

Typhoon "Harurot," swept across the country last week damaging an estimated 446,000 MT of corn crop and other critical infrastructure. According the Philippine Department of Agriculture, the country may import up to 300,000 MT of corn to meet the current shortfall in domestic corn supply. The feed millers group has requested the government to allow the duty-free importation of the corn. Corn farmers, however, have rejected the zero-tariff proposal but said it would agree to a 20 percent tariff for the said amount. For 2003, the in-quota rate for corn is 35 percent while the out-of-quota rate stands at 50 percent.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

Typhoon "Harurot," which swept across the country last week damaged critical infrastructure and caused flooding in crucial agricultural regions. This typhoon is considered the strongest to hit the Philippines in the last five years, sustaining winds of up to 118 mph. Considerable agricultural losses are estimated at over \$20 million, mostly corn, the country's second most important crop. In Cagayan Valley on the main island of Luzon, which sustained the most damage from the typhoon, it is estimated that about half of the region's corn crop has been destroyed. A total of 446,000 MT of corn crop is estimated to have been damaged by the typhoon.

According to the Philippine Department of Agriculture (DA), the country may import up to 300,000 MT of corn to meet the current shortfall in domestic corn supply brought about by typhoon Harurot. Feed millers believe that imports of about 400,000 MT will be needed. The feed millers group is likewise requesting the government to allow the duty-free importation of the said amount. In view of the production shortage, the DA is studying proposals to cut corn tariffs on the said amount and is holding consultations with the various stakeholders in the corn and feed milling industries.

Corn farmers have already expressed opposition to the request by feed millers, livestock and poultry groups to import 400,000 MT of corn at zero-tariff. The Philippine Maize Federation, Inc. (PhilMaize) said a zero tariff is not acceptable, however, they would be amenable to the entry of up to 300,000 MT at 20 percent tariff. According to PhilMaize, a 20 percent tariff would still allow feed millers to import corn at P8.75 to P9 per kilogram, the cost parity that corn farmers demand.

On the other hand, feed millers have already admitted that it may be difficult for the government to grant the duty-free importation, which may pull down local corn prices. The DA has also said that the Department of Finance may likewise not allow the duty-free importation due to the country's current budgetary situation. Currently, the landed cost of corn from China, even with a 35 percent tariff, is still higher at P9.54 per kilogram than current local corn prices of P8.50 per kilogram.

For 2003, a total of 202,477 MT of corn may be imported within the minimum access tariff-rate-quota, subject to a 35 percent tariff, while corn imported out-of-quota is imposed a 50 percent duty. It is estimated that a total of 5.3 MMT of corn and corn substitutes is needed by the country annually to meet its animal feed requirements. In 2002, corn imports reached 325,000 MT; the United States supplied roughly 75 percent of that amount.